

Message Text

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C O N F I D E N T I A L LONDON 09264

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E.O. 11652: GDS

TAGS: ETRN, UK

SUBJ: CIVAIR - LAKER AIRWAYS

REF: LONDON 873

1. RAY COLEGATE, HEAD OF ECONOMICS AND STATISTICS DIVISION, CAA, WHO OBVIOUSLY HAD BEEN BRIEFED ON WALDMANN'S DISCUSSIONS WITH DAVIS AND HUBBACK ABOUT LAKER SKYTRAIN APPLICATION, TOLD EMBOFF THAT UK PREPARED TO DISCUSS WITH US THE LAKER SKYTRAIN FARE LEVELS, CAPACITY TO BE OPERATED AND POINTS TO BE SERVED BUT, HE SAID, THEY WOULD NOT REPEAT NOT GIVE UP THEIR RIGHT UNDER BILATERAL AIR SERVICES AGREEMENT TO NAME CARRIER OF THEIR CHOOSING TO OPERATE SKYTRAIN EXPERIMENT. ACCORDING TO COLEGATE, A PRIORI US JUDGMENT THAT LAKER NOT FIT TO OPERATE SKYTRAIN SERVICE WOULD BE SUFFICIENT GROUNDS FOR UK TO CALL FOR RENEGOTIATION OF AIR SERVICES AGREEMENT, A NUMBER OF FEATURES OF WHICH UK NOT VERY HAPPY WITH ANYWAY, SUCH AS IMBALANCE IN REVENUES, BEHIND GATEWAY OPERATIONS, EXCESSIVE FIFTH FREEDOM CARRIAGE BY US CARRIERS ON CERTAIN LONDON/EUROPE SEGMENTS, BERMUDA CAPACITY PROVISIONS, ETC.

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2. COMMENT: WE WOULD NOTE THAT DURING INFORMAL DIS-

CUSSIONS IN PAST COLEGATE HAS BEEN KNOWN TO OVERSTATE UK POSITION. HOWEVER, WE BELIEVE THAT IN PRESENT CIRCUMSTANCES HIS STATEMENT RE SKYTRAIN AND RENEGOTIATION OF AIR SERVICES AGREEMENT FAITHFULLY REFLECTS POSITION OF CIVIL AVIATION AUTHORITY. WHETHER IT ALSO REPRESENTS VIEWS OF DEPARTMENT OF TRADE NOT COMPLETELY CLEAR BUT WE BELIEVE IT PROBABLE THAT IT DOES.

3. DENIAL OF SKYTRAIN APPLICATION ON GROUNDS OF UNFITNESS CALLS INTO QUESTION JUDGMENT, IF NOT INTEGRITY, OF CAA AND OTHER GOVERNMENT AGENCIES WHICH HAVE APPROVED AND SUPPORTED APPLICATION. ACCEPTANCE OF DENIAL ON GROUNDS OF UNFITNESS WOULD BE TANTAMOUNT TO ADMISSION ON THEIR PART THAT THEY HAD ERRED IN FIRST APPROVING AND THEN SUBMITTING APPLICATION TO US AUTHORITIES. MOREOVER, LAKER HIMSELF CAN BE EXPECTED TO KICK UP A CONSIDERABLE FUSS IF HE IS DENIED SKYTRAIN PERMIT. AS DEPARTMENT KNOWS, HE IS PROVEN MASTER IN USE OF MEDIA TO GAIN FAVORABLE PUBLICITY AND HE STILL HAS ACCESS TO VERY HIGH LEVELS IN UKG, A COMBINATION OF FACTORS THAT WILL MEAN THE GENERATION OF CONSIDERABLE PRESSURE ON UKG TO ACT IN DEFENSE OF SKYTRAIN EVEN THOUGH MANY MAY BE HAVING SECOND THOUGHTS AS TO BOTH ECONOMIC FEASIBILITY AND TIMELINESS OF SKYTRAIN EXPERIMENT. INASMUCH AS BRITISH HAVE BEEN CONSIDERING FOR SOME TIME CALLING FOR RENEGOTIATION OF BILATERAL AGREEMENT ANYWAY, SUCH A DEMAND IN RESPONSE TO US DISAPPROVAL OF SKYTRAIN APPLICATION WOULD BE EXPEDIENT WAY FOR BRITISH AUTHORITIES TO SHOW AVIATION INTERESTS AND PUBLIC THAT THEY ARE STANDING UP TO AMERICANS ON THIS ISSUE. AT SAME TIME, THEY WOULD BE SEIZING ADVANTATEOUS BARGAINING POSITION AT COMMENCEMENT OF NEGOTIATIONS.

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